

Price: 2.72 SGD ▲ 1.12%  Market Closed

Updated: Apr 6, 2024

Cap/taLand

Capitaland Investment Ltd
SGX:9CI



Watchlist

Cap/taLand

Capitaland Investment Ltd
SGX:9CI



DCF Valuation



Relative Valuation



Wall St Estimates



Profitability



Solvency



Financials



Discount Rate

DISCOUNT RATE

9CI Cost of Equity
Discount Rate

Cap/taLand

帮助

6.83%
COST OF EQUITY

3.22%
RISK-FREE RATE

0.79
BETA

4.57%
ERP

 **9CI's Cost of Equity**, calculated using the formula $Risk-Free Rate + Beta \times ERP$, **stands at 6.83%**. The Beta, indicating the stock's volatility relative to the market, is 0.79, while the current Risk-Free Rate, based on government bond yields, is 3.22%, and the ERP, measuring the extra return over the risk-free rate required by investors, is 4.57%.

9CI WACC

Discount Rate

**5.83%****WACC****44.97%****DEBT WEIGHT****4.61%****COST OF DEBT****6.83%****COST OF EQUITY**

 **9CI's Weighted Average Cost of Capital (WACC)** is calculated as the weighted average of its cost of equity and cost of debt, adjusted for tax. The WACC stands at 5.83%. This includes the cost of equity at 6.83%, calculated as Risk-Free Rate + Beta x ERP, and the cost of debt at 4.61%, reflecting the interest rate on  **9CI's** debt adjusted for tax benefits. The weight of debt in the capital structure is 44.97%.

1Y

3Y



| What is 9CI's discount rate?

 9CI's current **Cost of Equity is 6.83%**, while its **WACC stands at 5.83%**. The selection of the appropriate discount rate is contingent on the type of cash flows being discounted.

For Equity Valuation: When valuing equity, especially in scenarios where you are discounting cash flows to equity holders (such as Net Income, Earnings Per Share (EPS), or Free Cash Flow to Equity), the Cost of Equity should be used.

For Firm Valuation: In contrast, when valuing the entire firm and discounting cash flows available to both debt and equity holders (like Free Cash Flow to the Firm), the Weighted Average Cost of Capital (WACC) is the appropriate rate."

How is Cost of Equity for 9CI calculated?

The **Cost of Equity** represents the return a company must offer investors to compensate for the risk of investing in its stock. It's calculated using the Capital Asset Pricing Model (CAPM), which combines the risk-free rate, the stock's beta, and the equity risk premium (ERP).

This model considers the inherent risk of investing in the stock compared to a risk-free investment and the market's overall risk.

Here is how we calculate the cost of equity for  9CI

$$\begin{array}{|c|} \hline \text{Cost of Equity} \\ \hline 6.83\% \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Risk-Free Rate} \\ \hline 3.22\% \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Beta} \\ \hline 0.79 \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{ERP} \\ \hline 4.57\% \\ \hline \end{array}$$

How is WACC for 9CI calculated?

WACC, or **Weighted Average Cost of Capital**, is a calculation that reflects the average rate of return a company is expected to pay its security holders to finance its assets. It is a critical measure in financial analysis for valuing a company's entire operations.

The WACC formula combines the costs of equity and debt, weighted by their respective proportions in the company's capital structure.

Here is how we calculate WACC for  9CI

$$\begin{array}{|c|} \hline \text{WACC} \\ \hline 5.83\% \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Cost of Equity} \\ \hline 6.83\% \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Equity Weight} \\ \hline 55\% \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Cost of Debt} \\ \hline 4.61\% \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Debt Weight} \\ \hline 45\% \\ \hline \end{array}$$



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